

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EUR-12 NEA-11 OIC-02 STRE-00
/169 W

-----034200 240008Z /73

P 231929Z JUN 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1308

INFO AMEMBASSY SEOUL

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 09622

USMTN

ACTION STR PASS ELECTRICALLY

STR PASS CODEL

E.O.11652:N/A

TAGS: MTN, ETRD, KS

SUBJECT: NEGOTIATING STRATEGY - REPUBLIC OF KOREA

REFS: (A) SEOUL 3223, (B) SEOUL 4770, (C) GENEVA 9068

1. SUMMARY. WE HAVE BEEN EXTREMELY HEARTENED BY OUR
BILATERAL WITH THE KOREAN MTN DEL ON JUNE 13, 1978, AND
THEIR RESPONSE SINCE THEN. USMTN DEL BELIEVES WE CAN
ENGAGE THE ROK IN A MEANINGFUL NEGOTIATION IF WE TREAT THE
ROK AS A KEY TRADING PARTNER -- NOT JUST ANOTHER FACELESS
LDC, AND PROVIDED WE GET INSTRUCTIONS TO BEGIN PRAGMATIC
PRODUCT-BY-PRODUCT NEGOTIATIONS. END SUMMARY.

2. KOREAN MTN DEL HAS RECENTLY SENT A NUMBER OF STRONG
SIGNALS THAT THEY ARE READY TO PARTICIPATE IN THE MTN IN A
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MEANINGFUL WAY. ON APRIL 15, 1978, THE ROKG ANNOUNCED AN
IMPORT LIBERALIZATION PROGRAM WHEREBY 321 IMPORT ITEMS
WOULD BE SHIFTED TO THE AUTOMATIC APPROVAL LICENSING LIST
BETWEEN NOW AND 1982 (REFTEL A). AMEMBASSY SEOUL CALLED
THIS MOVE "AN ENCOURAGING SIGN OF KOREA'S INTENTION TO
AVOID PROTECTIONIST MISTAKES AND MOVE IN THE DIRECTION OF
AN EVENTUAL OPEN TRADING SYSTEM." REFTEL B, WHICH

REPORTS ADDITIONAL LIBERALIZATION MOVES, NOTES
"CONTINUED STEP-BY-STEP PROGRESS TOWARD A LOOSENING OF
KOREA'S RESTRICTIVE TRADE REGIME."

3. ROK NEGOTIATORS HERE HAVE INDICATED THEY HAVE "NO
PROBLEMS" IN PARTICIPATING IN GOVERNMENT PROCUREMENT,
CUSTOMS VALUATION, AND STANDARDS CODES. THIS IS PROBABLY
THE MOST POSITIVE STATEMENT ON CODE PARTICIPATION MADE BY
AN LDC DELEGATION TO DATE. THESE STATEMENTS HAVE BEEN MADE
WITH NO MORE THAN A PASSING REFERENCE TO SPECIAL AND
DIFFERENTIAL MEASURES, AND WITHOUT LDC RHETORIC.

4. AT OUR JUNE 13 BILATERAL (REFTEL C) WE FOUND THE ROK
NEGOTIATORS OPEN AND POSITIVE. THEY STATED SEOUL WAS
CONSIDERING ITS MTN OFFERS. WE TENDED TO DISCOURAGE
EXPECTATIONS BY THE ROK WITH RESPECT TO THEIR TARIFF
REQUEST LIST OF MAY 3, 1978. WE NOTED THAT THE ITEMS
INCLUDED THEREON WERE AMONG THE MOST IMPORT SENSITIVE FOR
THE U.S. INASMUCH AS THAT LIST CONSISTED ALMOST ENTIRELY
OF REQUESTS FOR CONCESSIONS ON MANDATORY EXCEPTIONS, FULL
ECONOMIC EXCEPTIONS AND LESS THAN FORMULA ITEMS. WE
NOTED THAT THE U.S. WOULD BE MUCH MORE LIKELY TO RESPOND
FAVORABLY TO REQUESTS ON LESS SENSITIVE ITEMS. THE ROK
DELEGATION REACTED ALMOST IMMEDIATELY. ON JUNE 15 THEY
PROVIDED USMTN DEL WITH A "SUPPLEMENTARY REQUEST LIST"
ASKING FOR TARIFF REDUCTIONS "AT LEAST IN CONFORMITY WITH
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THE CUTTING FORMULA TO BE AGREED UPON IN THE MTN." THIS
LIST, COMPRISED ESSENTIALLY OF ENGINES, MACHINERY ITEMS
AND PARTS, INCLUDES ONLY ITEMS WHERE THE U.S. HAS ALREADY
OFFERED DUTY ELIMINATION AND GREATER THAN FORMULA REDUC-
TIONS* THIS LIST, THEN, MAY BE TRANSLATED AS A REQUEST
THAT THE U.S. OFFER ON THESE ITEMS BE MAINTAINED; IT CAN
ALSO BE TAKEN AS AN INVITATION TO NEGOTIATE.

5. WE SEE THE NEXT STAGE EVOLVING AS FOLLOWS: AS SOON AS
WE RECEIVE NEGOTIATING INSTRUCTIONS, WE MEET AGAIN WITH
THE ROK DEL. ON OUR PART WE ANNOUNCE (A) WE ARE MAKING
(EXCEEDING) THE REDUCTIONS ASKED FOR IN THE JUNE 15 LIST
(FYI: HOPEFULLY WE COULD RESPOND POSITIVELY ON A FEW
ADDITIONAL ROK EXPORT ITEMS.); (B) WE ARE PREPARED TO GIVE
NEGOTIATING CREDIT FOR LICENSING LIBERALIZATION ON
ARTICLES WHICH APPEAR ON INDICATIVE LISTS; (C) WE ARE
PREPARED TO CONSIDER GIVING NEGOTIATING CREDIT FOR SOME
LIBERALIZED ITEMS WHICH WE EXPORT TO KOREA, BUT FOR
WHICH WE MADE NO LICENSING REQUEST. IN EXCHANGE, (A) WE
EXPECT FURTHER LICENSING LIBERALIZATION ON PRIORITY ITEMS,
WHICH WE WILL IDENTIFY FROM OUR INDICATIVE LISTS, (B) WE
EXPECT TARIFF REDUCTIONS ON OUR IDENTIFIED PRIORITY

ITEMS; (FYI: TO REQUEST TARIFF AND LICENSING LIBERALIZATION AND GIVE NEGOTIATING CREDIT FOR SOME OF THE ITEMS ON OUR INDICATIVE LIST THAT ARE IMPORTED NEARLY ENTIRELY OR SOLELY BY ROKG --WE HAVE IN MIND LOCOMOTIVE PARTS, TV TRANSMISSION APPARATUS, RADIO NAVIGATION AIDS, ETC.-- STRIKES US AS WASTING NEGOTIATING LEVERAGE.) (C) WE EXPECT THAT THE LICENSING ACTION TAKEN FOR WHICH WE GRANT MTN NEGOTIATING CREDIT WILL BE MAINTAINED. FINALLY, WE EXPECT TO SEE THE ROK LICENSING LIBERALIZATION AND TARIFF CONCESSIONS, EITHER SUBMITTED TO THE GATT, OR CONVEYED TO THE U.S. DEL BILATERALLY, BEFORE JULY 15. AT THIS TIME WE SEE THE BALL BOUNCING AROUND IN OUR COURT. IF WE CAN INDICATE SOME NEGOTIATING FLEXIBILITY, AND INDICATE PRIORITY REQUEST, WE SHOULD BE ABLE TO CLOSE OUT A DEAL. LIMITED OFFICIAL USE

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/169 W

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FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1316
INFO AMEMBASSY SEOUL

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 09622

MCDONALD

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